



MANAGING  
YOUR ACCOUNT  
*October 2005*

# Welcome to the Thrift Savings Plan!

The TSP offers these important features to help you save for retirement:

- Your contributions and earnings are *tax deferred*. You pay no Federal income taxes on the money until you withdraw it from your account.
- FERS employees are eligible for agency automatic and matching contributions.
- You can invest in:
  - **Lifecycle funds**, which combine the TSP stock, bond, and Government securities funds in professionally determined proportions based on when you expect to need the money; or
  - **Individual TSP funds**, which can be combined in any way you choose.
- You can transfer money from other eligible employer plans or Individual Retirement Accounts (IRAs) to your TSP account.
- If you are age 50 or older, you may be able to make additional catch-up contributions.
- You can borrow from your account.
- You can make an in-service withdrawal for financial hardship or after age 59½.
- You have a choice of withdrawal options after you separate. You can also leave your money in the TSP.

To get the most out of the TSP, you need to make several important decisions about your account. This booklet will help you get started.

## Getting Started

### Starting or Changing Your Contributions

You can enroll in the TSP at any time. But if you are new to the Federal Government, you should take advantage of this important benefit by starting right away.

**To enroll in the TSP**, submit the Election Form (TSP-1 for civilians; TSP-U-1 for members of the uniformed services) to your agency or service. The form is available from your TSP representative or the TSP Web site. Some agencies and services require electronic enrollment. Check with your TSP representative.<sup>1</sup>

**To change the amount of your contributions**, make a new election using either the TSP Election Form or your agency's electronic system.

**You can stop and restart** your contributions at any time.

### Contribution Limits

**FERS employees** may contribute up to 15% of basic pay each pay period in 2005 (up to the IRS elective deferral limit of \$14,000). In 2006 and thereafter, you may contribute any amount up to the IRS limit (\$15,000 in 2006).

When you are eligible, you will receive two types of agency contributions:

- **Agency Automatic (1%) Contributions.** You receive an amount equal to 1% of your basic pay whether or not you contribute from your pay.

<sup>1</sup> Your TSP representative is generally a person in your personnel or human resources office.

- **Agency Matching Contributions.** Your agency matches your contributions dollar-for-dollar on the first 3% of basic pay you contribute per pay period, and 50 cents on the dollar on the next 2%.

Together, these agency contributions can equal as much as 5% of your basic pay. But you must contribute at least 5% in order to receive the full amount of agency money.

Your eligibility for agency contributions depends on the date you were hired. Check with your TSP representative.

**Note for FERS employees:** If you reach the IRS elective deferral limit before the end of the year, your own contributions — and consequently your Agency Matching Contributions — will be suspended. To avoid this, use the Elective Deferral Calculator on the TSP Web site.

**CSRS employees** may contribute up to 10% of basic pay each pay period in 2005 (up to the IRS elective deferral limit of \$14,000). In 2006 and thereafter, you may contribute any amount up to the IRS limit (\$15,000 in 2006).

**Members of the uniformed services** may contribute up to 10% of basic pay each month in 2005 (up to the IRS elective deferral limit of \$14,000). In 2006 and thereafter, you may contribute any amount up to the IRS limit (\$15,000 in 2006). If you elect to contribute from basic pay, you may also elect to contribute up to 100% of incentive pay and special pay (including bonus pay), but your total contributions from taxable pay for the year may not exceed this IRS limit.

Contributions from pay that is subject to the combat zone tax exclusion are tax-exempt. They are not included in the elective deferral limit, but they count toward another IRS limit which specifies that the combined total of all contributions of any type cannot exceed 100% of compensation or \$42,000 (in 2005), whichever is less. (This dollar amount may change in 2006.)

If you also contribute to a civilian TSP account, total contributions to both your accounts cannot exceed that limit.

#### **Note for members of the Ready**

**Reserve:** If you contribute to the TSP both as a member of the Ready Reserve and as a civilian FERS participant, be sure that your combined contributions to both accounts do not cause you to reach the IRS annual elective deferral limit before the end of the calendar year. If you do, you could lose out on matching contributions from your civilian agency.

## **Catch-up Contributions**

**If you are age 50 or older** (or will turn 50 during the calendar year) and will reach the maximum that you are eligible to contribute to the TSP, you can make additional “catch-up” contributions from your pay — up to \$4,000 in 2005 and \$5,000 in 2006. You must make a separate election for these contributions each year. Check with your TSP representative.

## **Your First Contributions**

Contributions are deducted from your pay automatically and sent to the TSP. Your first contribution establishes your account. (Accounts for FERS employees can also be established by Agency Automatic 1% Contributions even if the participant does not choose to contribute.) Contributions are automatically invested in the Government Securities Investment (G) Fund until you make a different contribution allocation. (See “Investing in the TSP” on page 7, which describes your TSP investment options and the actions you need to take to invest in the funds of your choice.)

## **Your TSP PIN**

When your first contribution is received, the TSP will mail you a 4-digit Personal Identification Number (PIN) that will allow you to get information about your account and request transactions using the TSP Web site and the ThriftLine. (See inside back cover.) Safeguard your PIN to protect your account.

You can change your initial PIN to one of your choice on the Web site or the ThriftLine. The change will be effective immediately.

If you lose your PIN, you can request a replacement on the Web site or ThriftLine, or from the TSP Service Office. (If you make a written request, you must include your Social Security number and date of birth in your letter.) You should have your new PIN in less than 10 days. You will not be able to access your account in the meantime.

## **Your Beneficiary Designation**

You can designate one or more persons, a trust, or another entity to receive your TSP account in the event of your death. To designate beneficiaries, complete a Designation of Beneficiary form (Form TSP-3 for civilians; Form TSP-U-3 for members of the uniformed services). The form is available at [www.tsp.gov](http://www.tsp.gov) or from your agency or service TSP representative.

If you do not designate one or more beneficiaries for your account, in the event of your death your account will be distributed according to the order of precedence required by law: to your widow or widower; if none, to your child or children equally, and descendants of deceased children by representation; if none, to your parents equally or to the surviving parent; if none, to the appointed executor or administrator of your estate; if none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death.

Be sure to keep your beneficiary designation up to date to reflect changes in your life, such as marriage, births, adoptions, divorce — even a change of address for your beneficiaries. Send a new form to change a beneficiary designation or update information.

A will is not a substitute for a Designation of Beneficiary form and will not affect the disposition of your TSP account.

# Investing in the TSP

The TSP offers you two approaches to investing your account:

- **Lifecycle Funds** (L Funds)
- **Individual TSP Funds** (G, F, C, S, and I Funds)

## L Funds

The L Funds offer an easy option for those participants who do not have the time, interest, or knowledge to manage their TSP investments.

The L Funds are “lifecycle” funds that are invested according to a professionally determined mix of stocks, bonds, and securities based on various time horizons. (See page 8.) L Funds with farther time horizons (for example, L 2040) are focused on growth, and therefore are invested more aggressively, with higher percentages in foreign and domestic stocks and lower percentages in Government securities. As each L Fund matures, its mix gradually shifts to more conservative investments with a higher percentage of Government securities and lower percentages of stocks. This more conservative mix is designed to preserve assets while still providing protection against inflation. (Detailed information about each L Fund is available on the TSP Web site or from your agency or service.)

Each L Fund is automatically rebalanced, generally each business day, to restore the fund to its intended investment mix. Each quarter, the fund’s asset allocation is adjusted to slightly more conservative investments. When an L Fund reaches its time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

Select one of the five L Funds based on your time horizon (that is, when you expect to need the money in your account):

- **L 2040** — 2035 and later
- **L 2030** — 2025 through 2034
- **L 2020** — 2015 through 2024
- **L 2010** — 2008 through 2014
- **L Income** — Currently (or before 2008) withdrawing from your account

**If you decide to invest your entire account in one of the L Funds**, you are done making your investment decisions. The TSP will do the rest for you.

## Individual TSP Funds

The TSP has five individual investment funds:

**Government Securities Investment (G) Fund** — invested in short-term, U.S. Treasury securities that are specially issued to the TSP (Government securities with no risk of loss)

**Fixed Income Index Investment (F) Fund** — invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index (U.S. investment-grade corporate, Government, and mortgaged-backed securities)

**Common Stock Index Investment (C) Fund** — invested in a stock index fund that tracks the Standard & Poor’s (S&P) 500 stock index (primarily large U.S. companies)

**Small Capitalization Stock Index Investment (S) Fund** — invested in a stock index fund that tracks the Dow Jones Wilshire 4500 Completion stock index (medium to small U.S. companies)

**International Stock Index Investment (I) Fund** — invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) stock index (primarily large companies in 21 developed countries)

Visit the TSP Web site for detailed fund descriptions and information on fund performance.

**If you choose your own investment mix** from the G, F, C, S, and I Funds, remember that your investment allocation is one of the most important factors affecting the growth of your TSP account. If you prefer this “hands-on” approach, keep the following points in mind:

- **Consider both risk and return.** The F Fund (bonds) and the C, S, and I Funds (stocks) have higher potential returns than the G Fund (Government securities). But stocks and bonds also carry the risk of investment losses, which the G Fund does not. On the other hand, investing entirely in the G Fund may not give you the returns you need to meet your retirement savings goal.
- **You need to be comfortable with the amount of risk you expect to take.** Your investment comfort zone should allow you to use a “buy and hold” strategy so that you are not chasing market returns during upswings, or abandoning your investment strategy during downswings.
- **You can reduce your overall risk by diversifying your account.** The five individual TSP funds offer a broad range of investment options, including Government securities, bonds, and domestic and foreign stocks. Generally, it’s best not to put all of your eggs in one basket.

- **The amount of risk you can sustain depends upon your investment time horizon.** The more time you have before you need to withdraw your account, the more risk you can take. (This is because early losses can be offset by later gains.)
- **Periodically review your investment choices.** Check the distribution of your account balance among the funds to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want.

## Deciding on Your Approach

The TSP investment options are designed for you to choose **either** the L Fund that is appropriate for your time horizon, **or** a combination of the individual TSP funds that will support your personal investment strategy. However, you are permitted to invest in any fund or combination of funds. Just keep in mind that the L Funds are made up of the five individual funds (G, F, C, S, and I). If you invest in an L Fund as well as in the individual funds, you will duplicate some of your investments, and you may find that your allocation is not what you wanted.

## Implementing Your Investment Choice

Once you have decided on your investment approach — professionally designed (L Funds) or self-directed (individual TSP funds) — there are two transactions you can make to put your money in the fund(s) you have chosen:

- A **contribution allocation** directs how new money (payroll contributions, transfers into the TSP, loan payments) will be invested. It does not affect your existing account balance.

- An **interfund transfer** moves your existing account balance into the funds you choose. An interfund transfer is a one-time transaction that affects your existing balance. It has no effect on new money coming into your account.

Use your Social Security number and your TSP PIN to request either of these transactions quickly and easily on the TSP Web site or the ThriftLine. You can also contact the TSP Service Office or submit an Investment Allocation form to the TSP. The form is available from your agency or service.

## Transferring Other Investments to Your TSP Account

If your TSP account has already been established, you can transfer (pre-tax) balances from your traditional IRAs or eligible employer plans into your account. Transferred money will be invested according to your most recent contribution allocation. Use the form, Request for a Transfer Into the TSP, which is available at [www.tsp.gov](http://www.tsp.gov).

# Account Information

## Your Account Balance

Your account balance (expressed in both dollars and shares) is available in the Account Access section of the TSP Web site and on the ThriftLine. Your account balance is updated at the end of each business day based on that day's closing share prices and any transactions processed that night.

You will need your Social Security number and your TSP PIN to access your account.

## Your Quarterly Statement

Your first TSP statement will be mailed to you. After that, your quarterly statements will be available only on the TSP Web site — unless you make a request to continue receiving them in the mail. You can make this request on the TSP Web site or the ThriftLine.

Check your quarterly statement to ensure that:

- Your personal information (name, address, date of birth, etc.) is correct.
- Your current beneficiary designation is on file (if you filed one).
- The correct contribution amount is being deposited each pay period.
- Payments on any loans you may have are being deposited in the correct amount.
- All transactions (interfund transfers, loans, withdrawals, etc.) have been properly recorded.



## Correcting Your Account Information

**To correct personal information** (current employees and members of the uniformed services), have your agency or service make any corrections to your TSP account record.

**To correct personal information** (separated participants), notify the TSP Service Office. Make address changes yourself on the Web site.

**To update your beneficiary information** or change your beneficiary(ies), send a new Designation of Beneficiary form directly to the TSP Service Office.

**If you change agencies (or payroll offices)**, make sure that your TSP contributions (and your loan payments, if any) continue after you transfer. Report any errors to your new payroll office immediately, and follow up.

# Getting Your Money Out

## Loans

The TSP loan program allows eligible participants to borrow from their accounts and repay the loan with interest.

There are two types of loans:

- **General purpose loans** can be used for any purpose and have a repayment period of 1 to 5 years.
- **Residential loans**, which are available only for the purchase or construction of a primary residence, have a repayment period of 1 to 15 years.

To learn more about the loan program, read the booklet *TSP Loans* which is available from the TSP Web site or from your agency or service. In particular, read the section “Things to Consider Before You Borrow,” which will help you decide whether your TSP account is your best option for borrowing money. Taking a loan can reduce your TSP balance at retirement because the interest rate you pay for the loan may be less than the earnings you would have received if the money had remained in your account.

## In-Service Withdrawals

If you are still employed by the Federal Government, you can withdraw money from your account only under the following circumstances:

- If you are 59½ or older, you may make a one-time, **age-based in-service withdrawal**.
- If you have a financial hardship, you may make a **financial hardship in-service withdrawal** (limited to one every 6 months). You will not be allowed to make contributions to your account for 6 months after you make the withdrawal. (If you are a FERS employee, you will not receive Agency Matching Contributions during that time; Agency Automatic (1%) Contributions will continue.) In addition, if you are under age 59½, you may be required to pay an early withdrawal penalty tax.

Other restrictions apply to these withdrawals. Read the booklet *TSP In-Service Withdrawals* and the tax notice “Important Tax Information About Payments From Your TSP Account” for more information.

## Post-Separation Withdrawals

When you leave Federal service, you have a number of withdrawal options:

- **Leave your money in the TSP.** If you have more than \$200, you can leave your account in the TSP. (If your account is less than \$200, the TSP will automatically send you the entire amount in a single payment. You cannot leave it in the TSP.)

You must withdraw your account (or begin receiving monthly payments) by April 1 of the year following the year you turn 70½ and are no longer in Federal service.

If you have both a civilian and a uniformed services TSP account and you separate from Federal civilian service or from the uniformed services (or both), you may combine your TSP accounts. Use Form TSP-65, Request to Combine Uniformed Services and Civilian TSP Accounts.

- **Make a partial withdrawal.** You may make a one-time, single-payment, partial withdrawal (but only if you had not previously made an age-based in-service withdrawal).
- **Make a full withdrawal.** You have three withdrawal options:
  - A single payment
  - Monthly payments
  - An annuity (purchased for you by the TSP)

You can combine any of these three options.

You can also have the TSP transfer part or all of a partial withdrawal or certain types of full withdrawals to a traditional IRA or an eligible employer plan.

When considering your withdrawal options, use the calculators on the TSP Web site to estimate

the amount of annuity payments or monthly payments you might receive.

The booklet *Withdrawing Your TSP Account After Leaving Federal Service* describes your withdrawal options. You should also read the tax notice "Important Information About Payments From Your TSP Account." The booklet and tax notice are available from the Web site, your agency or service, or the TSP Service Office.

### Spouses' Rights

Spouses' rights requirements apply to all loans, in-service withdrawals, and post-separation withdrawals.

**Loans, In-Service Withdrawals, and Partial Withdrawals.** If you are a married FERS participant or a member of the uniformed services, your spouse must give written consent to your loan, or notarized written consent to your in-service or partial withdrawal request. If you are a married CSRS participant, the TSP will notify your spouse of your loan application, or your partial or in-service withdrawal request.

**Post-Separation Full Withdrawals.** Spouses' rights requirements apply to vested accounts of more than \$3,500 for a full withdrawal. If you are a married FERS participant or a member of the uniformed services, your spouse is entitled to a prescribed joint life and survivor annuity. If you select any other withdrawal option, your spouse must first waive his or her right to the prescribed annuity. If you are a married CSRS participant, the TSP must notify your spouse of any withdrawal election.

Under certain limited circumstances, exceptions to these requirements may be granted. See the Exception to Spousal Requirements form, available from the TSP Web site.

## Check List for New Participants

- ✓ Contribute to the TSP from your own pay.
- ✓ Safeguard your Personal Identification Number (PIN) when you receive it.
- ✓ Read about your TSP investment options.
- ✓ Decide whether you want to manage your own TSP investments or use one of the TSP's professionally designed lifecycle funds.
- ✓ Make a *contribution allocation* to direct the way your future contributions are invested.
- ✓ Make an *interfund transfer* to move your existing account balance into the funds of your choice.
- ✓ Decide whether you want to designate beneficiaries for your account.

To learn more about the TSP, ask your agency or service for a copy of the *Summary of the Thrift Savings Plan*, or download one from the TSP Web site at [www.tsp.gov](http://www.tsp.gov). The forms and publications referred to in this booklet can be obtained from the TSP Web site or your TSP representative.

### TSP Web Site

[www.tsp.gov](http://www.tsp.gov)

### ThriftLine

**1-TSP-YOU-FRST**

**(1-877-968-3778)**

**(Toll free from the United States and Canada)**

### All Other International Callers

**404-233-4400**

**(Not toll free)**

### Fax Number

**1-866-817-5023**

### TDD

**1-TSP-THRIFT5**

**(1-877-847-4385)**

### TSP Service Office

**P.O. Box 385021**

**Birmingham, AL 35238**

*Federal Retirement Thrift Investment Board*



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